



Grand Junction Regional Airport Authority Board
Special Board Meeting
Meeting Minutes
May 7, 2013

Mr. Denny Granum, Board Chairman, called the special meeting of the Grand Junction Regional Airport Authority Board to order at 8:15 AM on May 7, 2013 in Grand Junction, Colorado and in the County of Mesa.

Present:

Commissioners:

Denny Granum, Chairman
David Hibberd, Vice Chairman
Tom Frishe
Rick Wagner
Sam Susuras
John Stevens
Steve Wood

Airport Staff:

Rex Tippetts, Director of Aviation
Amy Jordan, Clerk
Gary Schroen
Kathie Lucas

Other:

Shannon Kinslow, TOIL
Travis Vallin, Jviation
Jim Trot, Jviation
Jim Fluhr, Jviation
JD Ingram, Jviation
David Shepard, GJAUTA
Bill Marvel, GJAUTA
Bob Erbisch, GJAUTA
Jason Hofman, BLM
Bill Pitts, Citizen
Collin Fay, top Flight
Marisa Fay, Top Flight
Justin Pietz, Armstrong
Denis Corsi, Armstrong
Michael Hodes, Health Share IQ
Greg Motz, GJ Chamber
Diane Schwenke, GJ Chamber
Kelly Flenniken, GJEP
Dave Krogman, West Star Aviation
Bob Rasberry, West Star Aviation

I. Approval of Agenda

Commissioner Stevens moved to approve the agenda as distributed. Commissioner Hibberd seconded. Voice vote: all aye. The agenda was approved as distributed.

II. Conflict Disclosures

Chairman Granum – Hangar Owner
Vice Chairman Hibberd – Hangar Owner

Commissioner Wood – Hangar Owner
Commissioner Frishe – None
Commissioner Wagner – None
Commissioner Susuras – None
Commissioner Stevens – None

III. Commissioner Comments

None.

IV. Citizens Comments

David Shepard, Grand Junction Airport User and Tenant Association

Mr. Shepard said that the organization he represents, GJAUTA, has been and will continue to monitor issues at the airport. Mr. Shepard said that he did not feel it was appropriate for the airport to be borrowing money for a private company. Mr. Shepard said that his association had recently submitted an open records request to the State of Colorado, in regards to a State Infrastructure Bank loan application that was submitted by the Director of Aviation, Rex Tippetts. Shepard said that Mr. Tippetts failed to disclose the loan application during any of the public meetings. Mr. Shepard also said this meeting was posted twenty-four hours and two minutes prior to the meeting, which is the minimum requirement for the State of Colorado. However, Mr. Shepard said that the Airport Authority's bylaws require a three-day posting for special meetings, so he did not believe that this meeting was legally posted.

Michael Hodes, Health Share IQ

Mr. Hodes remarked that he was not in favor of the build to suit lease. Mr. Hodes said that he does not agree in government funding private business. Mr. Hodes also remarked that he was unfamiliar with the project details and is interested to hear more about the details.

V. Action Items

A. Possible Build to Suit Lease

Director of Aviation, Rex Tippetts explained to the Board that West Star Aviation, Inc. had approached him over 6 months ago about expanding their facility in Grand Junction. Mr. Tippetts said that after the initial meetings with staff, he discussed the project with all Board Commissioners. Mr. Tippetts said that it was communicated to him that this project is something that Grand Junction, as a community, is in need of, and to proceed in working on how to make this a reality. Mr. Tippetts noted that at that point, the Grand Junction Economic Partnership was engaged to assist in putting the details together. Tippetts explained that if it were not for a strong public/private partnership to bring the project together, this would not be a possibility in Grand Junction.

Tippetts discussed that staff had done quite a bit of due diligence on the company, West Star Aviation, Inc. Tippetts noted that West Star Aviation, Inc. was established in the early 1950's and has been operating in Grand Junction for over sixty years. Tippetts also noted that West Star Aviation, Inc. is one of the county's top employers and not only has a large facility in Grand Junction, but also operates in five other locations.

Tippetts then went into describing the project itself. He said that this would be a build to suit, in that the Airport Authority would build the facility and West Star would then lease back the facility from the Authority. The facility needed is a 45,000 square foot paint hangar, which would be used to paint large general aviation aircraft.

Tippetts said that staff has done some very basic, preliminary analysis for hangar location, line of site requirement, and aircraft movement requirements.

Tippetts discussed the benefits of this project, not only to the Airport, but also to the community. He noted that this project allows for not only the lease of the new hangar, but it will also include the leasing of two, currently vacant, airport owned buildings, the 2810 Landing View Lane hangar and the first floor of the Air Traffic Control Tower.

Tippetts also noted that not only does this project benefit the airport; it brings jobs to the community. Tippetts referred to an analysis that was conducted by the Grand Junction Economic Partnership, stating that an estimated 150 jobs would be added to this community once this facility is 100% operational.

Tippetts said that staff was directed at the beginning of this venture to see if it could work and pull together the details of how it could work, and staff has done just that. Tippetts said that a variety of alternative funding options were evaluated, including a loan from the Colorado State Infrastructure Bank. Tippetts said that staff has identified a funding solution that works, which is the issuance of \$8 million in revenue bonds.

Tippetts said that staff has completed as much of the background work as possible and will need the approval from the board to proceed or not proceed with the project.

Discussion:

Chairman Granum announced that he would allow for questions and comments from the audience, directly related to this project, at this time.

Michael Hodes asked if there had been any due diligence done on West Star Aviation, Inc. Director Tippetts said that staff had done due diligence on the company. Chairman Granum noted that he had also done due diligence and met with leaders from West Star multiple times.

Greg Motz, Chairman from the Grand Junction Chamber of Commerce, said that the Chamber wholeheartedly supports this project. Mr. Motz said that this is a development that is much needed in Grand Junction, and that it not only helps to diversify our economy, but also creates much-needed jobs. Mr. Motz also noted that West Star Aviation, Inc. has been a Chamber member for quite some time

and is a valued business within this community. Mr. Motz thanked the Airport Authority for their work on bringing this project to fruition and he thanked West Star Aviation, Inc. for considering the Grand Junction community for this expansion.

Bill Pitts questioned what the lease rate and term would be for this building, and noted that he did not feel that it was fair to offer a lease under different terms than others get. Director of Aviation, Rex Tippetts said that this lease is not a ground lease; this is a building lease, very similar to any office or building lease you would see elsewhere, therefore, it should not be compared to something such as a ground lease. Tippetts said that the first term of the lease would go until the amount of money in escrow equaled the outstanding loan balance, which he estimates to be approximately 85 months. Following the lease would be for 5-year terms at market rate, which still must be determined.

Kelly Flenniken, the Executive Director of the Grand Junction Economic Partnership, said that GJEP supports this project completely, and thanked the Airport for having the opportunity to be involved in the project from the beginning. Ms. Flenniken noted that GJEP work with staff and the Board throughout this process. She also said that this is a tremendous opportunity to position Grand Junction as a leader in this industry and create considerable direct and indirect economic benefit, including job creation.

Bob Erbish said that it appears that the airport is doing this project, so that West Star can avoid being taxed. Director Tippetts said that that is not at all, why the airport is pursuing this opportunity. Tippetts said that this is not different from other building lease that the airport currently has, such as FedEx and the Airport terminal. Tippetts explained that the airport generates revenue by leasing out facilities, and that this hangar would just be another leasable facility. Chairman Granum also remarked that frequently, economic development deals require a public and private partnership to make happen, and that is the case with this project. Granum said that this was not an opportunity that the airport was willing to pass up, in that the job creation and economic benefits were much needed in this community. Granum said that the airport is tax exempt, and that is one of the benefits that we were able to bring to the table to pull this deal together.

Chairman Granum asked if there were any other comments or questions from the audience. Seeing none, he closed the public comment section and asked the Board for comments and questions.

Commissioner Wager commented on the time requirements for posting the meeting, and said that the bylaws clearly state three days for special meetings, however, he did understand that State Statute requires only twenty-four hours. Commissioner Wagner said that there really was no reason for noticing the meeting so quickly, at the deadline.

Commissioner Wagner said that people want to know, understand, and research agenda items, prior to the meeting, and that noticing meeting with such short notice does not allow for that.

Commissioner Wagner did feel that this project was fairly well known and that that may not be the case in this instance, however, he would like to see more notice for future meetings. Commissioner Wagner also agreed with a citizen comment, in that the Authority must have parity in dealing with leases.

Commissioner Stevens said that her supports the project and it is overall great for the community.

Commissioner Wood asked if the “total annual direct payroll increase to \$100 million dollars” in the Executive Summary, was a typo. Tippetts said that those numbers came from GJEP and that they would be verified.

Commissioner Wood asked what other airports Grand Junction was competing with for this facility. Tippetts said that if the facility were not built here in Grand Junction, West Star would be painting them at their East Alton, IL facility.

Commissioner Wood expressed concern that he had received such a slight briefing on this project, and did not feel fully briefed. He noted that people in the audience might very likely know more about this project than he does.

Commissioner Wood requested to look at West Star’s recently secured contract, looking for viability. West Star Aviation CEO, Bob Rasberry, said that he could not disclose the entire contract, but he could tell the Board that the contract was with the United States Government, Department of Defense, and would begin in 2014.

Commissioner Wood asked about the hangar design and noted that it looked very familiar to another hangar he had recently seen constructed. Director Tippetts said that the hangar has not been designed; only very preliminary design has been completed. Tectonics completed those designs for West Star. Commissioner Wood referenced a recently completed project by Duncan Aviation, that was similar in scope, and the budget for that project was substantially more.

Commissioner Wood questioned the ability to complete this project for the amount estimated. Director Tippetts said that there are still a lot of variables, especially since the building has not been designed to entirety.

Commissioner Wood asked if the lease in the Pro forma would include the lease of all three facilities; the new hangar, the tower, and the 2810 building. Tippetts said that it would not include all three; there would be individual leases for each facility.

Commissioner Wood asked if there would be a loss of tie-down space. Tippetts said that there would be a loss of tie down space, but just how much is unknown, until further design is complete.

Commissioner Wood asked if the letter of credit, which would be required of West Star, would be irrevocable. Tippetts answered that the letter of credit must be acceptable to the bond company.

Commissioner Wood noted that the term letter from Wells Fargo refers to an amortization schedule, but there is not one attached. Tippetts said that there was not one provided.

Commissioner Wood commented that the term letter from Wells Fargo noted the land itself as part of the collateral and asked if that was something that could be done. Tippetts said that only the building would be collateral, the airport could not use its land as collateral. Tippetts said that if something happens and the building reverts to the bank, the bank would receive a ground lease.

Commissioner Wood said that at the Authority's January 2013 meeting, Director Tippetts had said that the 2810 Landing View Lane building would go out for a public RFP, if this deal were pursued with West Star that building would not go out for public RFP. Tippetts said that was correct.

Commissioner Hibberd asked if this meeting is to get approval to move forward with this project, or is it for something more. Tippetts said that there is a lot of work that needs to be completed, and staff needs approval to begin to complete anything above and beyond what has been done.

Commissioner Hibberd said that this project is one that is important to the growth of the airport and that we must move forward.

Commissioner Frishe said that job creation in aviation is a huge plus for this community. Commissioner Frishe said that this opportunity should be considered and would like to see it move forward. Commissioner Frishe also said that he agreed with Commissioner Wagner, in that moving forward, leases should be consistent, regardless of the tenant.

Commissioner Susuras said that he agrees that this Board and the processes in which project are carried out and approved must be fully transparent.

Commissioner Susuras said that this project absolutely needs to happen in Grand Junction, and instead of looking for ways to eliminate this project, we should be looking for ways to make it happen. Commissioner Susuras said that the airport must move forward.

Commissioner Wagner said that he would like to make sure that this project stays within the budgetary constraints placed on it. Commissioner Wagner said that he does not want to see change orders or overruns, and would like to monitor this closely.

Commissioner Wood expressed concern about the airport picking up the tab for this project. Commissioner Wood said he is a strong proponent of West Star and the community, but questions if the airport should be financing the entire project. Commissioner Wood said that at this point, he felt that there is just too much risk associated with the project.

Chairman Granum said that he feels this project is a big win for this community of a variety of levels, from job creation to monetary benefit. Chairman Granum

said that not only does this bring revenue for the airport; it brings in revenue for the City and County, and the State.

Chairman Granum said that he has been involved in economic development for some time and when opportunities like this come along, you do not just look the other way; you look at how to make it happen. Granum said that is exactly what staff has done, is find a way to make this happen, and it is vital we move forward.

Chairman Granum asked for a motion to allow staff to move forward, as necessary, with this project. Commissioner Susuras moved to allow staff to continue due diligence and move forward progressing this project. Commissioner Frishe seconded. Voice Vote: Granum, Hibberd, Frishe, Wagner, Stevens, Susuras, Aye. Commissioner Wood abstained for reason: not a legally posted meeting.

B. Division of Wildlife Lease

Director Tippetts explained to the Board that airport staff has worked with the Division of Wildlife (DOW) since October 2012 to acquire an easement across the northern portion of the DOW land lease area. Tippetts said that the DOW was agreeable to aircraft crossing their area, but did not want to be responsible for the asphalt in front of their hangar if DOW aircraft were not the primary aircraft using the asphalt.

Tippetts explained that the DOW was operating with limited budget and requested that the easement be changed to an elimination of the land area from their lease. The airport thought it was a great idea and changed the easement to a proposed reduction of the land lease area. Tippetts said that staff exchanged numerous phone calls and e-mails between October 2012 and April 2013 to reach agreement.

Tippetts explained that the DOW would see a reduction of their land lease fees. Tippetts said that DOW staff sent the land lease reduction request to an attorney in the state's real estate division. The attorney responded that the reduction of land area would require DOW commission approval, which would be no sooner than their July 2013 meeting. The attorney suggested several alternatives in an effort to speed the process, but none of the alternatives would be sooner than the July 2013 meeting.

Tippetts explained that the DOW commission might approve the land lease reduction, or possibly request other changes to the land lease, which would further delay the process. Tippetts noted that the current land lease agreement is not a standardized airport lease, but a standardized State of Colorado (DOW) land lease. A clause in the DOW land lease allows termination of the land lease by either party with 90 days' notice.

Tippetts said that by terminating the lease now, the 90-day status of whether or not we could use the property would be known. Tippetts also explained that termination of the DOW land lease and issuance of a new DOW land lease creates

a certain event and puts the airport in the driver seat, as far as the status of the needed lease assignment.

Discussion:

Commissioner Frishe asked for clarification regarding the lease term. Tippetts said that this would be a replacement of the existing lease and would continue at the 90-day notice.

Director Tippetts also remarked that the Airport's Attorney has had multiple conversations with the DOW regarding this process.

Commissioner Wood asked if this was required for the construction of the proposed West Star hangar. Director Tippetts said that this is required.

Commissioner Hibberd moved to terminate the current DOW land lease and then issue a new State of Colorado (DOW) land lease under the same terms with the reduced land lease area and allow the Director of Aviation to sign the non-standard legal documents. Commissioner Stevens seconded. Voice Vote: Granum, Hibberd, Frishe, Wagner, Stevens, Susuras, Aye. Commissioner Wood abstained for reason: not a legally posted meeting.

VI. Adjournment

The Board adjourned the special meeting at 9:33 A.M.

Denny Granum, Board Chairman

ATTEST:

Amy Jordan, Clerk to the Board